

## Mr Begin says his peace plan is open to negotiation

Mr Begin, the Israeli Prime Minister, saw Mr Callaghan for three hours yesterday and gave him details of the Middle East peace plan which he will present to President Sadat on Christmas Day. He said that his proposals were open to negotiation. At the same

time Mr Ezer Weizman, the Israeli Defence Minister met President Sadat in Ismailia and then held talks in Alexandria with General Gamassi, his Egyptian counterpart. They are thought to have discussed arrangements for electronic surveillance of Sinai.

### Details given to Mr Callaghan

By David Spenser  
Political Correspondent

Mr Begin, the Israeli Prime Minister, saw Mr Callaghan in London yesterday and gave him a full account, with maps, of his new Middle East peace plan, which he will present to President Sadat on their Christmas Day meeting in Ismailia.

The plan is seen here as a considerate and imaginative approach towards a peace settlement for the Middle East as a whole.

At the same time Mr Ezer Weizman, the Israeli Minister of Defence, flew to Ismailia for a brief meeting with President Sadat. He then went to an air base near Alexandria for talks with his Egyptian counterpart, General Gamassi.

It seems likely that the two defence ministers reviewed technical arrangements for electronic surveillance of Sinai in the event of an Israeli withdrawal. There was also speculation that the idea of a "hot line" between Jerusalem and Cairo was discussed.

Perhaps the most important point to emerge from Mr Begin's talks in London was that his proposals for a settlement are not final but open to negotiation with President Sadat. "He may have some counter proposals and we will of course consider them", Mr Begin said during a press conference at London airport before his departure for Israel.

He said the two men would be meeting "as friends" and added: "We have an understanding".

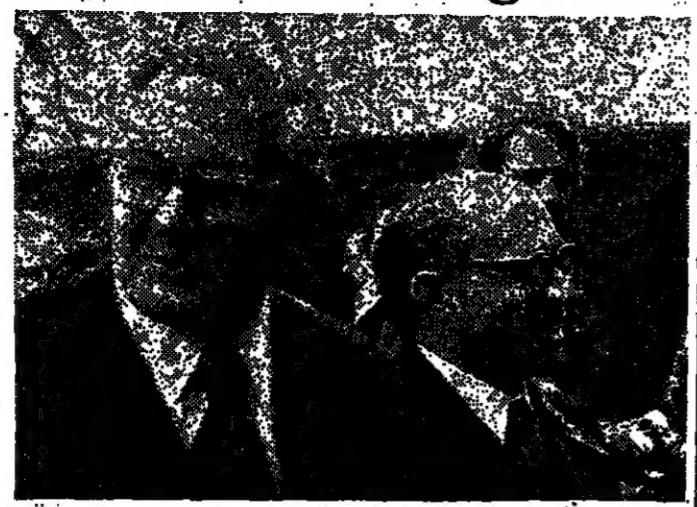
The British impression is that Mr Begin is indeed making a positive response to President Sadat's initiative. Whether it goes far enough to satisfy all the parties concerned for Mr Sadat to say, as Mr Callaghan yesterday raised a number of important issues with Mr Begin such as the status of the Palestinians, may yet fall into place. Certainly the impression Mr Begin has given is that he means to negotiate in earnest, and that he feels supported by the support of the United States and Britain.

A point which his British hosts have made in their hope would be wise to encourage those elements of Palestinian opinion within the Palestinian Liberation Organization in particular, which seem inclined towards a peaceful settlement.

More widely, the feeling is that Saudi Arabia, Jordan and the Gulf states are, in spirit, in favour of President Sadat's peace initiative, even if they cannot say so openly, and that therefore Mr Begin's task is to convince Mr Sadat that he can satisfy Arab demands as a whole.

Mr Begin, repeating that he was seeking a comprehensive peace treaty, not just a settlement with Egypt, said of Syria: "negotiations are still in progress" and that they had reached an agreement of 1948 which Syria signed only six or seven months later. A difference in timing, was not an obstacle.

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The talks at Chequers yesterday morning lasted three hours. Mr Callaghan, although under no illusions about Britain's power to move events in the Middle East, nevertheless had a certain influence, based on Britain's long-standing commitment with the Middle East.

Mr Begin also saw President Giscard d'Estaing, a special envoy yesterday, and sent a message to Paris, expressing the hope that the spirit of Israel's friendship with France between 1948 and 1967 could be revived.

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### 'Today' may be dropped by Radio 4

By Christopher Thomas  
Labour Reporter

The BBC's early morning programme 'Today' is likely to drop from the radio schedules in the new year. Changes in the programme have led to a drop in its popularity and it is understood that a new programme of up to three hours will take its place.

In London Today has been losing ground to the news and information service provided by the London Broadcasting Company, BBC's commercial rival.

The BBC made no comment last night, but rumours have been rife for weeks. The change is expected to coincide with the merger of the news and current affairs groups. The change to an early programme and presenters will also be made in time for the transfer of Radio 4 from medium to long wave later next year.

### 21 hostages held in bank raid

Manila, Dec 21.—A gunman took 21 people hostage today when his robbery attempt failed at a bank inside the American naval base at Subic Bay in the Philippines. He demanded a helicopter to fly him out of the base.

Surrounded, the bank as Philippines and United States military authorities began negotiating for the hostages' release. —Agence France-Presse.

It was also decided to set up a liaison committee with members drawn from the Department of Health and the FBU. The committee will start work immediately, to examine the "problems and anomalies" arising out of firemen's claims for benefits.

Mr Orme, accompanied by Professor David Donnison, chairman of the Supplementary Benefits Commission, and Mr Eric Deeks, the Under-Secretary of State responsible for social security, had a 90-minute meeting with representatives of the Fire Brigades Union (FBU). He had agreed to the joint talks, he said, so that "reasonable guidelines" could be drawn up.

As a result of his decision, an

over-time ban is causing serious shortages of bread in many areas as shoppers attempt to stock supplies for the Christmas period. The Federation of Bakers maintained that there would be adequate supplies for everybody if there was no panic-buying.

Private bakers without union members are doing their utmost to cope with excessive demand but are restrained by

the seasonal demand for fancy goods. Long queues have occurred in almost every district of England and Wales. Scottish bakers are exempt.

The employers' negotiating team yesterday emphasized the poor financial state of the industry and insisted that, apart from breaching the Government's guidelines, the union's pay demand would have serious implications for profit margins and consequently jobs.

The union, which less than three months ago struck over a pay demand, appeared unwilling after yesterday's first walkout session.

Mr Maddon, a militant, said: "The employers are digging their heels in", and added: "If the employers were willing to pay the same as the municipal employers are willing to pay for laundry attendants, car park attendants and general labourers, I would settle on that."

The union wants a rise of a tenth on basic earnings, three days extra holiday, and consolidation of the phases one and two rises (£8.50 in most cases) to enable them to count for overtime calculations. The employers say that that would breach the Government's guidelines on earnings.

The most likely explanation of the figures is a mixture of all three. —Tables, page 16

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## HOME NEWS

## Union to sound out firemen's views on prolonging strike

By Donald Macintyre

The Fire Brigades Union executive last night decided to hold new meetings among its 30,000 full-time members in an attempt to decide the next move in the five-week-old strike.

The strike is certain to continue, at least until after the Christmas holiday, when the executive will reconvene to hear how members feel about prolonging it after the impasse in negotiations on Monday.

The move to consult the members again came after an attempt by militants on the executive to widen the dispute. Proposals, which did not reach a vote, included picketing arm installations housing firefighting troops.

It was agreed to await reports on members' attitudes and to reconvene tomorrow week to decide the next step in the light of the reports.

The FBU leaders were uncertain last night whether the results of meetings throughout the country's 63 brigades would differ from findings taken last week on the same formula.

The fact that yesterday's meeting lasted more than five hours appeared to reflect the executive's uncertainty about how to pursue the dispute after Monday's cancellation of formal talks.

Mr Terence Parry, general secretary of the firemen's union, will make a final attempt today to persuade TUC leaders to support his union's campaign against the 10 per cent pay limit.

Firemen and other unionists are expected to demonstrate outside the TUC headquarters in London during the general council meeting. Mr Parry will challenge the council's decision to reject his request of three weeks ago.

## Psychologist doubts police observation

Recent studies in Britain and the United States suggest that police can be in many cases worse witnesses and observers than civilians, despite their careful training.

"They tend to see things that have not actually happened", Dr John Nicholson, a psychologist at Bedford College, London, said in an interview at the British Psychological Society conference in London yesterday.

Studies at the Cambridge University Applied Psychology Unit showed that when civilians and police were shown a film of a street scene from which they were asked to detect crimes, such as theft, the police were no better than the and police were shown a film

## High Court ruling on mining deals today

By Paul Rouledge

Labour Editor

The High Court will give its decision today on a plea by militant miners' leaders for a permanent injunction restraining their union from negotiating pit price deals.

Leaders of the Yorkshire, South Wales and Kent coalfields last week failed to win an interim injunction preventing the executive of the National Union of Mineworkers from going ahead with its plan to allow individual areas to conclude local incentive schemes.

"We have received £71,000 so far, and money is flooding in at a rate of more than £15,000 a day", he said. "On December 10 we were able to make a preliminary distribution of £51,485 from the appeal remains open to the end of the year." Gifts may be sent to SSAFA, 27 Queen Anne's Gate, London, W1, marked "Christmas appeal".

Blaze at flats: Miss Victoria Levy, aged 81, died in a fire in a block of flats at St John's Wood, London, early yesterday. Miss Anne Wright, also 81, escaped down a rope from the fifth floor. She had a leg in plaster after hospital treatment for an injury in a fall.

A temporary naval fire base in Gloucestershire became the first in the country to be formally commissioned as one of her Majesty's "ships" yesterday. Two admirals were present for the ceremony when Bowditch House, usually a Territorial Army base, became HMS Bowditch.

The idea of commissioning the base started as a joke among the 18 members of the Fleet Air Arm from Culdrose, Cornwall, who are stationed at Stroud for emergency firefighting duties.

## Thalidomide cash may be extended

By Kenneth Gosling

Mr Jack Ashley, Labour MP for Stoke-on-Trent, South

called on the Distillers Company yesterday to accept responsibility, where a prima facie case exists, for children on the Y list of 118 cases in which it has not been agreed that damage was caused by pit workers, including those who had not worked underground.

The miners' leadership voted by 16 to 7 to carry on talking to the NCB on a proposal that will give early retirement from next April to all but about 350 surface workers.

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Police were paid to have suspicious minds, but he found it disturbing that the testimony they gave in court, weeks after they had seen a crime being committed, was likely to be even less reliable than slender evidence from a member of the public.

## More 'spendthrift socialism must be paid for by working people' Shadow Chancellor condemns wealth tax

By George Clark

Political Correspondent

The Government's decision to go ahead with a wealth tax, the planning of which has already cost more than £4m, was condemned yesterday by Sir Geoffrey Howe, QC, shadow Chancellor of the Exchequer.

The Government's postponement of the measure in November, 1976, after promising in the 1974 general election manifesto that it would be introduced in the present Parliament, means that seven buildings intended for the Inland Revenue staff who were to administer the tax are empty or being allocated to other departments.

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## HOME NEWS

## Lancashire Chief Constable, 'unworthy to hold high office', is dismissed

From John Charlton

Lancashire Police Committee, which yesterday dismissed its chief constable, Mr Stanley Parr, is to consider allegations involving other officers in the 3,000-strong force next year.

That was stated yesterday by Councillor Frank Lofthouse, the chairman, after he had announced that Mr Parr, aged 60, a policeman for 40 years, a wartime naval officer, a CBE and a deputy lieutenant of Lancashire, had been dismissed after 24 charges of discreditable conduct and two of falsehood under police discipline regulations had been found proved by a tribunal.

A total of 37 disciplinary charges were considered by the tribunal headed by Mr Patrick Bennett, who, after referring to Mr Parr's previous honourable record, stated:

Nevertheless, it has been my day,

heal though it is to find that he used the powers of his position to show favour to others and made improper use of police vehicles and drivers.

He was responsible for falsification of records. This conduct has had a very damaging effect upon the morale and discipline of the force. He should be condemned and it has brought discredit to that force.

I do not think that Mr Parr was worthy to hold the high office that he did. I feel that nothing short of dismissal from the force could be regarded as adequate punishment for the charges I have proved.

Mr Parr has three weeks in which to appeal to the Home Secretary. He said last night that he would do so. Until then no moves will be made to appoint a permanent successor, Mr Lofthouse said yesterday. The force, which after referring to Mr Parr's previous honourable record, stated:

One of the matters referred to in the original report by Sir Douglas

## Detective's complaint led to inquiry

The case against Mr Parr began in July, 1976, when a Blackpool officer, Det Sergeant Harry Roby, made a formal complaint to an inspector of constabulary during a routine annual inspection of the Lancashire force.

The following September Lancashire Police Committee asked Sir Douglas Osmond, Chief Constable of Hampshire, to conduct an inquiry into "certain matters within the personal jurisdiction of the chief constable".

Sir Douglas and a small team of officers from his own force spent about two months on the inquiry and a report went to County Hall, Preston, early in January, a copy having earlier been sent to the Director of Public Prosecutions.

To the chagrin of Mr Frank Lofthouse, chairman of the police committee, full details of its contents appeared in the Lancashire Evening Post on February 25 in spite of steps having been taken to keep the matter out of the public eye.

That report, later repeated in a number of national newspapers, disclosed that Sir Douglas had found evidence of a case in which a man was accused of possessing firearms with intent to endanger life, and in which Mr Parr intervened to suggest that the charge should be reduced to one of breach of the peace.

Other matters referred to included allegations that Mr Parr had intervened in cases involving motorists stopped for speeding in radar traps, some of

careless driving. His case was dismissed by magistrates.

Sir Douglas also drew attention to police charity dinners organized by Mr Parr involving police manpower. His report said: "Even should the complainant be capable of a complete answer by the chief constable, it is not surprising that it has been made, for whatever happens the story as a whole indicates a lack of judgement on the part of the chief constable, a failure to communicate, and a lack of concern for the impression he was creating, all of which are very unusual in a senior police officer."

A fortnight before the hearing of the disciplinary charges began on October 17 Mr Parr applied to retire (he was 60 in July) but his request was refused. He had been suspended on his full pay of £13,500 a year since March last.

Mr Parr, the son of a policeman, began his career as a constable on the beat, and was in charge of the Lancashire force of three thousand men for five years until his suspension last year.

After serving as chief constable of the independent Blackpool county borough force he was absorbed into an expanded Lancashire Constabulary in an interim reorganization. He became Chief Constable of Lancashire when the force was again reduced in size after the 1974 local government reorganization which put many of the old county boroughs into the new Greater Manchester Council.

One of the most serious cases referred to in Sir Douglas Osmond's report involved a constable who was about to be charged with causing death by dangerous driving but was eventually accused only of

whom were only cautioned while others were fined.

Sir Douglas's report, according to the unchallenged disclosures in the Lancashire Evening Post, made references to Mr Parr's close connections with Blackpool, where he was chief constable of the small local force before a reorganization drew him into the expanded Lancashire Constabulary.

One of the most serious cases referred to in Sir Douglas

Osmond's report involved a constable who was about to be charged with causing death by dangerous driving but was eventually accused only of

## 'Odious task' of judge in jailing wife-killers

Two mentally ill men who killed their wives were given prison terms at the Central Criminal Court yesterday after Mr Justice Melford Stevenson had been told that there was no suitable hospital accommodation for them. The judge spoke of the odious task he had in sending the men to prison for long periods.

Jailing one man for 10 years and the other for seven, he said: "I hope at least the cases will serve a useful purpose by drawing attention to the gravity of diminished responsibility that is melancholy fact."

Ronald Gadsden, aged 43, a docker, of Lathom Road, East Ham, London, admitted the manslaughter of his wife, Beryl, aged 37, on May 20, on the ground of diminished responsibility.

## Unions to give PO board names this week

By Our Arts Reporter

Mr Venner, Secretary of State for Industry, later this week will receive union nominations for one of the main board of the Post Office which is being reconstructed in a two-year experiment in industrial democracy.

The unions are being allocated seven seats. It is not clear whether they will be taken up by the due date, January 1, because of difficulties still outstanding on the regional boards.

The main difficulty is on the five regional telecommunications boards. The Civil and Public Services Association, which has 30,900 members in telecommunications, wants two nominations on each board but has been offered one. The Union of Post Office Workers, the second biggest union in the telecommunications side of the Post Office, has been offered two seats. So has the Post Office Engineering Union, the biggest telecommunication union.

## Birching: judge invited to IoM

The nine judges who will try the Isle of Man's birching laws in the European Court of Human Rights have been asked to go to the island to see how birching works. The Manx authorities believe that that would swing the case in their favour.

The Manx Government said yesterday that it was unlikely that the judges would make a decision on the European hearing which starts in Strasbourg on January 17. They had been invited to visit the Isle of Man before deciding on their final verdict.

## Three accused of robbery plot

Two security guards charged in connexion with a £20,000 robbery at Heathrow were remanded in custody by magistrates at Staines yesterday. They are John William Cardorck, aged 31, of Ocean Street, Stepney, and Ronald Henry Price, aged 32, of Jellicoe Way, Braintree.

Another man, Robert Goldstein, aged 67, of Bulver Court, Leyton, was released on bail. All were charged with conspiring to rob Brinks-Mat Ltd, last March.

## £5,371 rates unpaid

Gerald Howard, of Victoria Terrace, Hove, Sussex, former director of Local Aid, a Sussex charity, was jailed for 82 days by magistrates at Brighton yesterday for non-payment of £5,371 rates on the charity's offices and shops.

## Trench death

A workman was killed yesterday when a trench collapsed on him in Upper Halling, near Rochester, Kent.

"My secretary is blind. I'd be lost without her!"

Sandy takes down her boss's dictation accurately, then types it out from her braille shorthand. Good speeds, good page layout.

Sandy says there's nothing special about that—and she's right. The fact that she's blind makes very little difference to her efficiency.

Sandy got her job on ability. And her ability won her promotion to personal secretary in an important Post Office department. That's the point. The RNIB trained Sandy at its Commercial College, and any firm that employs a qualified blind person will benefit from the demanding and professional training that we at the RNIB provide.

If you happen to be an employer, think it over. We'll be pleased to hear from you.

Over and above that, the RNIB needs your help, through legacies and donations, to enable us to train others like Sandy.

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Under the Finance Act 1975, bequests to charities up to a total of £100,000 are exempt from Capital Transfer Tax.  
Registered in accordance with the National Assistance Act 1948.



A turn-up for the gulls during winter ploughing at the Freshwater Estate, near Southampton.

## Food firms oppose rapid rise in farm prices

By Hugh Clayton

Food companies said yesterday that they opposed any rapid rises in farm prices and incomes of the type sought by the Conservatives.

A Commons motion by Mr John Peyton, chief spokesman on farming and food, urges an early 7/4 per cent devaluation of the green pound.

"But they see no point in government encouraging farmers to grow products that cannot be sold."

The statements reflect alarm

among food companies that if farmers' demands for higher prices will be met food consumption will fall even faster than it is falling now.

incomes after the near-record harvest."

The Food and Drink Industries Council said it wanted the anomalies arising from the existence of the green pound to be eliminated gradually.

Mr Frank Hamilton, Scottish director of the RSPB, was worried, however.

An escaped breeding pair

would spread to neighbouring islands, preying on Arctic terns, harriers, marsh falcons and short-eared owls, he said.

## Jubilee fund's £13.5m

The Queen's Silver Jubilee Appeal, which closes in April, has raised £13.5m in 12 months. Of that sum, £7.5m has been received and the rest will be paid by the end of the year.

Liftmen to go back

A two-month-long strike of 240 lift and escalator men on Merseyside was called off yesterday when they voted to return to work this morning.

Surfacing mail affected by a dock strike in America will not reach Britain in time for Christmas, the Post Office said yesterday. No surface mail has been received from the United States since the two-month strike ended on November 29.

## Probation for incitement

Harry Baskind, aged 56, of Leeds, who was convicted in July of inciting a detective, posing as a professional killer, to murder his wife, was placed on probation for three years at Birmingham Crown Court yesterday.

## Islanders win order

Families living on houseboats at Tagg's Island in the Thames yesterday won a High Court order last night to tomorrow stopping Richmond council from closing the only bridge to the river bank.

## Liftmen go back

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## Many jailed for customs offences

By Maurice Corrie  
Industrial Editor

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There was a clear implication that no one has the right to automatic subsidy for ever, nor could anyone always expect to expand.

The council would continue to do its utmost to support what it believed to be valuable and worth while, "but the day of the extravagant gesture and the forgiven second mistake is over".

From recent pronouncements and long-term estimates it is now clear that the council can expect no increase in its allocation in real terms for the next few years.

The implications of "level-

pegging" in real terms are serious and sobering. First, the assumptions on which such a guideline is based presumably mean that government allocations to the arts will keep pace with the rate of inflation in the arts, not in some inappropriate index.

Second, grants from the Government or the council are only part of the total income-expenditure equation of client organizations, so even if these grants retain their value in real terms, artistic organizations will remain viable only if income from box-office earnings, local government and

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## HOME NEWS

## Social trends, 2: Changes in wealth, income and expenditure

## Tax on rich would net only 105,000 adults

By Annabel Ferriman

Labour Party proposals to introduce a wealth tax, published yesterday, are unlikely to affect more than two or three adults in a thousand.

The latest volume of Social Trends, produced by the Central Statistical Office, shows that about 105,000 people, or only 0.25 per cent of the adult population, have assets of more than £100,000, the proposed starting level of the tax.

The distribution of personal marketable wealth is very much less than that of personal income. Social Trends states,

In 1975 the wealthiest 5 per cent of the population owned between a third and half of the country's wealth, estimated at £190,300. Their share amounted to between £63,000 and £95,000. But the trend is towards greater equality.

The proportion of wealth owned by the richest 5 per cent has been falling since 1961. The most extreme estimate puts the proportion at 64 per cent in 1961, 59 per cent in 1966, 53 per cent in 1971 and 51 per cent in 1974.

The figures show that by far the largest part of Britain's wealth was in dwelling (43 per

cent), followed by life policies (15 per cent), building society deposits (7.5 per cent), listed ordinary shares (5.4 per cent) and land (4 per cent).

The increasing amount taken from incomes by tax and inflation is dramatically illustrated. The figures show, for example, that the pay of the bottom 25 per cent of male manual workers, after allowing for all deductions, increased between 1970 and 1976 by only £2 a week from £18 to £20 (at 1970 prices). For the top quartile it increased from £25 to £27 a week.

The largest percentage increase in "take-home" pay for the population as a whole was in 1972, when it rose by almost 8 per cent. The change was much greater than in 1974 or 1975, the years of the biggest increases in gross pay. Real disposable income rose by only 2 per cent in 1974 and fell slightly in 1975.

The average gross weekly earnings of manual workers rose from £27 in 1970 to £65 in 1976; non-manual workers' pay rose from £36 to £82 in the same period.

Income from rent, dividends and net interest fell as a pro-

portion of total income from 11.4 per cent in 1966 to 9 per cent a decade later. Income from social security benefits fell in the same period from 7.7 to 9.5 per cent.

The proportion left for spending in the same decade fell from 74 per cent to 64 per cent but the proportion of income paid in taxes rose from 12 per cent to 16 per cent.

National insurance contributions rose from 5.7 per cent to 7.6 per cent.

The figures illustrate the poverty trap, the point at which any increase in pay for low-wage earners is wiped out by a reduction in benefits. In some cases the worker even loses a little.

Over the range of earnings from £32 to £44 a week, for example, for a married couple with two children and the wife not working, there could be no benefit from a rise or the family could even lose. Between £44 and £60, the family could still gain less than 50p a week for every extra pound earned.

Spending patterns on food between 1970 and 1976 showed a distinctly unhealthy trend. Spending on meat, fish, bread and cereals fell, and spending

## WEST EUROPE

## French Prime Minister says his country's economic crisis will take at least two years to solve

From Charles Hargrove  
Paris, Dec 20

M. Barre, the French Prime Minister, said today that it would take at least two more years to put the French economy on a firm basis.

Speaking at a financial and economic press lunch, he said that 1978 would be a crucial year: "Either we respect the necessary collective disciplines, or we surrender to weakness and illusions and slide rapidly towards decline."

The Prime Minister advised those who condemned his policy as "austerity" to "look at what was happening in Britain, Sweden and Portugal".

It was necessary, he said, to renounce weakness. "That is what the Government has undertaken to do. The first results are encouraging, but they could be rapidly undermined if the effort is not maintained."

Taking stock of the policy he has pursued in the past 15 months, M. Barre said that its main aim had been to put a "good price index" at the risk of less satisfactory short term results. It preferred to act on the factors determining higher prices rather than on the prices themselves.

"A low price index is not a good index if it is due to artificial methods, while a high price index can be a good one, if it means putting the record straight in a context where the main factors of inflation are controlled", M. Barre said.

The Government was determined to avoid a recession, he

said. This had been done by the gross domestic product increasing in 1977 by 3 per cent, as in West Germany.

Private investments would rise by 1.3 per cent in spite of economic and political uncertainties.

In 1974, they had fallen by 1.1 per cent and in 1975 by 12 per cent. The increase in unemployment had been checked and then reversed.

The Prime Minister dwelt at length on his efforts to check inflation. They have been criticized not only by the Opposition, but also by his own supporters.

He said that after the price freeze of the last quarter of 1976, the Government had decided in 1977 not to pursue a "policy of price indexes" at the risk of less satisfactory short term results. It preferred to act on the factors determining higher prices rather than on the prices themselves.

"The essential quality of an economic policy must be consistency. The main objective of economic policy in a time of crisis is to solve the crisis, not to manage it. The Government has never considered economic and financial recovery as an end in itself, but as a means of ensuring for France and the French people a better future", M. Barre said.

He added that it took time to reduce prices without resort-

## German terrorist jailed in Holland

From Our Correspondent  
Amsterdam, Dec 20

A sentence of 20 years' jail was passed in Utrecht today on Knut Folkerts, a member of the Red Army Group, the West German terrorist organization, for the murder of Det. Sergeant Arie Kranenburg, a Dutch policeman on September 22.

He was also found guilty of the attempted murder of Det. Constable Leendert Pieterse.

The policemen were shot when they attempted to arrest him in Utrecht.

The court said it could find no justification for the brutal and violent manner in which Harry Folkerts had acted. The Red Army Group in no way fell within the terms of the Geneva convention that gives certain categories of freedom fighters the same status as combatants in time of war.

In Herr Folkerts's defence it had been argued that he should be treated as a prisoner of war as his group considered itself at war with imperialism.

Herr Folkerts, who is 25, did not hear the verdict or the sentence since he refused to enter the courtroom. He was not obliged by law to be present.

It is not yet clear whether he will serve his sentence in a Dutch prison. The West German authorities have asked for his extradition, along with that of Christoph Wackernagel, aged 26, and Gert Schneider, aged 28, two other West Germans arrested in Amsterdam on November 10 after a shooting in which they were wounded.

While it is considered likely that Herr Wackernagel and Herr Schneider will be extradited, this is considered less likely in the case of Herr Folkerts after his conviction for the murder of a Dutch policeman. On the other hand, there is some feeling here that it might be wise to extradite all three to avoid further action by the terrorist in the Netherlands.

The final decision rests with Mr Jacob da Ruiter, the Minister of Justice.

## Bomb injures passenger in Copenhagen bus

From Our Correspondent  
Copenhagen, Dec 20

A home-made bomb exploded in a municipal bus here this afternoon, seriously injuring an elderly woman passenger. A series of such attacks are all believed to be the work of a mentally-deteriorated person.

Bombs have been placed in telephone boxes, schools and railway stations, but today's was the first to cause an injury.

## Pope gives children a password for peace

From Peter Nichols  
Paris, Dec 20

The Pope spoke of children and violence today in a message to mark the international day of peace on January 1. He said children were the most vulnerable section of society in regard to violence. "But they are also with the hope of tomorrow."

In his message the Pope told children to beware of the "harmful vanity" of wanting to appear stronger than their brothers and sisters and friends by quarrelling, fighting and giving way to anger and revenge.

He added: "If you want to be strong, be so in spirit and in behaviour. Learn to control yourselves: learn how to forgive and quickly make friends again with those who have offended you. In this way you will really be Christians."

And the Pope gave them a password to use: "No to violence, yes to peace."

He told them of their responsibilities. "You children of the new age must get used to loving everybody; to giving and defending; to the spirit of community which is more noble, more honest, more unified."

"Do you really want to be

human beings and not wolves?

Do you really want to have the merit and the joy of doing what is right in helping those in need, and of being able to do good works with the sole reward of a good conscience?

Well,

then,

remember the words

which Jesus spoke at the Last Supper. He said: "A new commandment I give to you that you love one another. By this all men will know that you are my disciples, if you have love for one another."

The Pope also asked leaders of opinion to reflect with honesty on peace in the world today, and in doing so he picked out two main points, one largely positive and the other negative. He feels there is a "developing progress of peace. The history of our time - let it be said for its glory - is studded with the flowers of a splendid documentation in favour of peace, one that has been carefully thought out, desired, organized, celebrated and defended. Helsinki reaches this".

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"Do you really want to be

human beings and not wolves?

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## SPORT

## Football

## Liverpool's scheming triumphs over Coventry's hard work

By Norman Fox  
Football Correspondent

Coventry City 0 Liverpool 2

Liverpool, who have really shown uncommon devotion to the Football League Cup as a competition, channelled most of their wide experience into a shrewdly won fourth-round replay at Highfield Road last night. They were prepared to defend a small gain against the hosts, Coventry City's new determination not to forward in force, and whenever they chose to attack they offered more ideas than Coventry could offer for all their more vigorous work.

As well as, for them, the alarming thought that this might be their only trophy of the season, short of Northern Football League, the double that they threaten Liverpool had the incentive of a goal in only the fifth minute. Coventry justifiably looked hurt and were increasingly aware that their error would not be easily overcome.

Liverpool, without Jones, re-arranged their defence with Hughes taking an orthodox left-back position and allowing Hansen to re-occupy the inside-left position in the centre of the line. Although he was later to find the tempo in the penalty area too fast to show him at his best, Hansen did lay the first stone in the sequence that gave Liverpool their winning send-off and, ultimately, security.

In a spot of trouble on the left side of the penalty area, Hansen still played a daring pass back towards his own goal, but it was well judged and Thompson supported him well by furying out to



CASEY: his powerful shot gave a reminder of what he used to do more regularly.

take the pass and give Kennedy possession. A fine ball inside to Delight and another one to Case split the Coventry defence into two helpless compartments and Case's powerful shot, rising over Blyth, was a cheerful reminder of what he used to do more regularly.

Coventry's sharp speed to the ball gave them enough possession to relieve the situation, but to complete their work proved an impossible problem. Graydon's persistent and accurate centres from the right and Hutchinson's nipping on the left putted Neal and Hughes wide and kept them occupied, but Ferguson and Wallace in the middle were more than capable.

Perhaps they had a case for a penalty when Hansen brought down Wallace after himself being tempted into indiscretion by Thompson's soft back-pass. Ferguson was also unfortunate when he was the victim of Coventry's inevitably rifled second pass, and even Wallace's neat twist and strong shot past Clarence was denied by the referee who was not to blame.

Coventry mustered attacks throughout the first half, but not with the composure frequently seen this season. Liverpool were far from settled, though, as they across the half-way line, there was usually space available and they used it successfully. A tendency to speculate with Fairclough's speed in pursuit of the long pass, however, was a bad habit.

The frustration in seeming to be in permanent occupation of their opponent's half cost Coventry some self control. Yorath lunged at Kennedy, Case lunged at Yorath. Case's name was taken, but sood the referee was taking

a more physical line, breaking up a small battle that raged over the prostrate Clarence, who emerged cowering his bruised fingers. But with Kennedy and McDermott recovering almost the whole time, Liverpool could withstand the pressure. In the quarter-final round they will be away to Wrexham.

COVENTRY CITY: (l-r) S. Hansen, G. Delight, R. Moore, G. Casey, D. Neal, R. Ferguson, J. Hutchinson, P. Wallace, R. Clarence, P. Fairclough.

LIVERPOOL: R. Clemente, P. Neal, A. Thompson, R. Hansen, G. Ferguson, E. Hughes, M. Delight, J. Hutchinson, D. Fairclough, J. Case.

Referee: C. Thomas (Wrexham).

left wing and laid on an ideally placed pass to Delight whose shot was firm, accurate and took Liverpool nearer to the final of one of the few events they have not won. In the quarter-final round they will be away to Wrexham.

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Referee: C. Thomas (Wrexham).

## Pearson and Channon may be out of action

Stuart Pearson, the Manchester United forward who limped out of the match with Neil Ferguson on Saturday with an ankle strain, is causing a problem for the United manager, Dave Sexton. "Stuart could be struggling to make out his holiday games," he said.

Meanwhile there is better news of Martin Buchan, who jarred his knee in a reserve match at Everton this week. Mr Sexton said: "I don't think it's serious. He was taken out of the game as a precaution."

Buchan's appearance was designed to give him some match practice.

Said Buchan: "The knee is sore but it's too soon to say how serious. I will have to wait before I know the full extent."

Meanwhile Channon will be without their £30,000 striker Channon for the Christmas programme. Channon strained a hamstring in training and is doubtful for the match at Huddersfield to Newcastle and at Middlesbrough.

The manager, Tony Book, said: "We hope it is a strain and not a tear. Hamstring injuries can be difficult and we shall have to re-examine his progress if he misses."

Hamstring United, one of the Southern League, have been expelled from the FA Trophy and face disciplinary action by the Football Association for fielding an amateur when the team was qualifying round the against Midtunited United. The match was drawn, but Hastings won the replay, 2-0.

The player concerned was a goalkeeper but the FA have been unable to find out who he was. An FA spokesman said: "We take a very serious view of this. Hastings are a senior club and full members of the Football Association."

**Today's football**  
FA CUP: Second round replay: Scarborough (C) v. West Bromwich (A) (1st round replay: Clyde v. Dunfermline).

## Rugby Union

## Making punishment fit the crime

By Peter West

Rugby Correspondent

With two players dispatched from the field in a leading club game last weekend, and with touches of mayhem apparent in recent inter-divisional matches, another rugby year seems to be drawing to a close on an unseasonably sour note. Is there more foul play than there used to be, or is it just less festive and unashamed, its impact magnified by the effect of television? Whatever the answer, that may be the disciplinary procedures, and the spirit with which they are interpreted, adequate to deal with the problem?

One who thinks they are not is Philip Davies, headmaster of Cheltenham College Junior School, who, in company with Jeffrey Butterfield, provided England and the British Lions with a famous combination at centre in the 1974 tour. Davies, who has since become faster and more skilled and more frenzied—leading himself to increasing gamsmanship and foul play—but that the disciplinary procedures have lagged behind.

"Except in the most severe cases," he suggests, "it is no use a country club being a haven of biffes for summary punishment without right of appeal. The modern player has scant respect for such a distant 'alakadaro' authority, and there is no benefit for the referee in wasting his time when he is thought, anyway, to

## Allen flies to Middle East to discuss future

Ron Allen, the 47-year-old manager of West Bromwich Albion, flew out to the Middle East yesterday to discuss an offer of national team manager in Saudi Arabia.

The position was vacated by Bill McIllichip, now with Newcastle United, last summer, and Allen was approached at the weekend, and hopes to see Crown Prince Faisal about the job. It is reported that the post is worth £100,000 tax free for 18 months.

Allen has been managing West Bromwich since taking over from Johnny Giles six months ago with a contract.

He and the club chairman, Bert McIllichip, met this week and West Bromwich have indicated that they are willing to offer a contract to him.

Mr McIllichip referred to the criticism that Allen was not given a contract when he took over from the previous manager, Johnny Giles, in June. "Mr Allen, at his request, did not have a contract. This was mutually agreed," he said.

Mr McIllichip referred to the criticism that Allen was not given a contract when he took over from the previous manager, Johnny Giles, in June. "Mr Allen, at his request, did not have a contract. This was mutually agreed," he said.

Allen is less discordant now, there is news of a special match at Twickenham on March 26 between St. Luke's College and an international XV, gathered together by Dou Rutherford. St. Luke's are shortly to lose their identity, being merged, under the aegis of the School of Education, with Exeter University. From September, you all their teams will play under the banner of the university.

Marvin Underwood, senior lecturer in physical education at the college, and himself a former England wing, rightly says that St. Luke's are proud of the 39 international and countess trials and county players who have been

through their hands. Three members of the team, however, have been suspended: Lions side, Brian, David, and Jeffrey Squires were St. Luke's men and others to represent their countries last season were Michael Edwards and Michael Wilson (Ireland), Peter Horan, of Australia makes yet another.

St. Luke's, of course, also have an enviable record in the seven-a-side game, having won the Middlesex tournament in 1974 and 1975, and in 1975-76 also became the first club to score 1,000 points in a season. Statistics such as these merely underline what a remarkable nursery of talent St. Luke's rugby club is. The school has also won the men's and women's team at the Twickenham festival game at Twickenham a fitting climax to a distinguished if rather brief history, will be as well supported as it deserves to be.

St. Luke's are sure that all former students will rally to the cause and those hope that schools' tournaments, especially, will be their answer to provide parades of boys, and perhaps arrange matches against London schools on the morning of the big game.

Underwood stresses that the effect of the merger will leave the college functioning with all its previous strengths, though with considerably reduced numbers. Old students will be welcome to know that physical education will continue to flourish even though the yearly intake will be restricted to an elite of 30 main students, together with a second main contingent.

## Blackheath without Bignell for holidays

Blackheath expect to be without Bignell, their number eight, selected for England's final trial team for both their Christmas and New Year's Eve games at Nottingham and Birmingham. Also out of consideration is the reserve full back, Kibble, who broke a leg in last Sunday's Kent Cup tie against Sidcup in which Bignell suffered a back injury. However, the captain, Williamson, is available as are the regular half backs, Stiles and Hayles.

Blackheath go to Nottingham for a Goodwill game on Friday night and visit Birmingham on New Year's eve.

Moseley will field a mixture of first and second team players for their home game against Birmingham at the Reddings on Saturday. Meanwhile, the full back who has been out with a

broken finger, returns, but the only other regular members of the Moseley first team on view will be the half backs, Cooper and Gifford and forwards, Trevor Corless and B. Ayre.

Two former England forwards, who between them boast 33 caps, return after injury to boost Richmond against Harlequins at Twickenham, Ralston has been out since November 2 with a dislocated shoulder and the loose forward Ralston made last week's game at Blackheath with a dislocated collar bone. Humphreys and Greenwood step down. Harlequins welcome back Bushell, Wood, D. A. Cooke, D. H. Cooke and Alexander from the divisional game at Twickenham, but will be without Cleaton, who is not available this weekend. Wadsworth is included and will clash with his old adversary, Ralston.

Corless, who also played for London, remains at scrum half and French remains at centre and recovering from a leg injury. Ivor

Jones, on holiday from Loughborough College where he plays as a flank forward, is included at lock and Rob Smith returns to the back row after injury.

Centres Barrie Corless and Swan are away for the holiday, the captain, Warren, has influenza and both wingmen, Beddows and Thomas are injured.

Ball, who starred in London's victory over the South in the London trial last week, has suffered a back injury. However, the captain, Williamson, is available as are the regular half backs, Stiles and Hayles.

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## Hockey

## Manager of England in surprise resignation

By Sydney Friskin

Three months before the World Cup tournament in Argentina, the English hockey team suddenly finds itself without a manager. The resignation of Ian Taylor in circumstances unprecedented in English hockey was announced yesterday. His successor has not yet been appointed.

Although the Hockey Association emphasized that Mr Taylor's resignation was "entirely his own" and that he had "no animosity towards the English team", the Association's president, Sir Michael McIlroy, said: "I am sorry that Ian Taylor has left the team.

He has done a good job, but he has not given us the time we need to

choose a successor," he said.

Mr Taylor's withdrawal from

the scene is to be somewhat

ill-timed, coming as it does soon

after the HA have made an

official complaint to the inter-

national authority, and the

Indian Hockey Federation about

the poor arrangements for the

Indian tour. The Indian team

had been invited to play in the

international festival at Lord's on March 11 and 12.

"Naturally I am disappointed",

he said, "but I am only trying

to do my best for the team."

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Application forms contained in the Official Journal should be completed and sent to: THE EUROPEAN PARLIAMENT, RECRUITMENT SECTION, Botte Postal 1011, LUXEMBOURG.

The Office of the European Parliament will be closed from 24 December 1977 to 2 January 1978 inclusive.

Application, including detailed c.v., should be sent to Philip Holzman AG, Personalabteilung, Postfach 119089, 6000 Frankfurt 2, Germany.

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Fluency in German is required, some experience in a German office would be advantageous.

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## RHODESIANS SEARCH FOR SECURITY

The talks between the Smith government and the three internal black Rhodesian groups have resulted in grapple with the key issue: safeguards for the white minority. Mr Smith has to all appearances now conceded every one of the first five British principles for a settlement admirably by Sir Alec Douglas-Hamilton in 1964. It is the sixth principle, added by Mr Wilson's government—that a majority regime should not oppress the minority community—which it is now for the Africans to express in a formula for a settlement.

When that sixth principle was put in, contemporaneously with Mr Wilson's quest for a formula for "unimpeded progress to majority rule" in the tiger, then Fearless, talks, it seemed a make-weight. The real safeguards for the whites in those far-off days were entrenched in proposals for a longish interval, the lifetimes of several governments if not of Mr Smith himself, for the transfer of power, during which both races could adapt. Now that Mr Smith has conceded adult universal franchise and a black majority in parliament in 1978, the problem of safeguards becomes the key to the log-jam. For he has introduced (or reintroduced) provisions for white security that undermine the concession of majority rule itself. His agreement to one man one vote did not, as was first announced by Bishop Muozorewa, Mr Sithole and Chief Chirau, mean a single voting roll without qualified franchises, whites voting with (and being outvoted by) blacks. Mr Smith has dodged back to separate voters' rolls, so organized as to enable the white electorate to vote for a third of the members of the assembly—

enough to produce a "blocking third" to veto constitutional changes—while four million blacks vote for the other two-thirds.

Of course it will not do. For one thing, unless an African party won an overwhelming majority of seats the blocking third would become the balancing third, without whose agreement even ordinary legislation could not pass unamended. Even an unlikely possibility of this happening constitutionally would provide the frontline presidents, the United Nations, Ambassador Young and Dr Owen, and above all the Patriotic Front, with a solid argument that Mr Smith was organizing a puppet regime, and that the Bishop had sold out if he swallowed it.

The whole point of Mr Smith's concessions is surely to produce a responsible black government, excluding those who will not abandon the armed struggle, accepted by the world as the choice of the black people of Zimbabwe, and it would be lost by any such provision to entrench white security. The war would go on, and would probably be lost by the new regime even with white support. If there is to be an internal settlement that can be defended diplomatically as well as militarily from Salisbury, the two-roll device for producing blocking thirds must vanish.

Nothing Mr Smith can now negotiate will give white Zimbabweans full security. This will must be gulped. Once the transition is made their security depends on their usefulness. This can be great to a moderate black leadership, technically, economically and (so long as the

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## TO WHAT FUTURE ARE THEY RELEASED?

At a symbolic ceremony attended by diplomats and foreign correspondents in Sumatra yesterday 886 Indonesian political prisoners were released. They were part of the 10,000 whose release was promised many months ago by the powerful security organization. Many have been more than ten years in detention without trial. Next year 10,000 more will follow and in 1979 a final 10,000. All these are in category B, those deemed to have been involved in the 1965 coup but for whom evidence is insufficient. There still remain 1,925 category A prisoners awaiting trial for their active participation in the coup and another 1,125 of cases still not classified.

It may be wondered whether the Indonesian Government deserves any credit for these releases in face of constant criticism from bodies such as Amnesty International and the International Commission of Jurists. Even allowing for the figures—which Amnesty believes to be understated—what of the prisoners' guilt? Whatever the Indonesian Government may choose to believe, many outside observers think that the 1965

coup was initiated by a left-wing group of army officers and not by the Indonesian Communist Party as such. This makes the guilt attributed to any member of that party and many thousands more alleged to have communist sympathies a post-coup assumption and no more.

These are the arguments from the past. What of the future for those released? Have they been given their freedom? We are told that those leaving the camp yesterday appeared apathetic towards their release. And well: they might be. A renunciation of their communist ideology and a pledge of loyalty to President Suharto given at the ceremony was not the only thing required of them. They also had to show that in the camp they were following a way of life in accordance with the approved doctrine of Pancasila. Then their families had to accept them back, which many have been unwilling to do lest the security of the family might thereby be endangered. At one women's camp the commanding admiral admitted that 95 per cent of prisoners' families had refused to receive their relatives. And even when families are

brave enough the consent of neighbours is also needed.

When all these hurdles are overcome the prisoners must show that he has a guaranteed job to go back to. The rare few who pass all these tests must still face six months of house detention followed by six months more of restriction to town or village during which weekly reporting to the police is required. This is the most onerous of all the various political parties.

In our free society, people must beware the traps and dangers, since it is not possible for Parliament to legislate against the specific needs of the Unification Church and the way it operates.

Yours faithfully,

JOHN D. WHEELER,

Prospective Conservative Parliamentary Candidate,

City of Westminster, Paddington, W2.

From Mr E. D. Trubshaw

Sir, I read with surprise the article by Diana Pat (December 12) alleging growing protest about Moonie activities which, she claims, are leading people to teach children to hate their natural parents. Our student son has been a member of this movement for three years, during which time my wife and I have enjoyed a close and affectionate relationship with him; we will be spending Christmas together as always. Perhaps some parents react too strongly to what is probably the first real assertion of their child's intellectual independence, producing all the consequent tragic family alienation.

I would add that neither my wife nor I have any connexion with the Unification Church.

Yours faithfully,

E. D. TRUBSHAW,

51 The Broadway,

Codsall,

Wolverhampton.

Saving the Mostyn flagons

From Mr Arthur Grimond

Sir, While not gainsaying the beauty, quality of engineering and craftsmanship of the Mostyn flagons, may I be allowed to question my old friend Mr George Levy's description of them in his letter published by you yesterday (December 15) as "among the most outstanding masterpieces of English silver of the Elizabethan period still in existence."

The proposal would not amount to nationalization of racing. It would cost the taxpayer very little, since revenue for racing would continue to come mainly from levies on bookmakers. It would ensure that decisions would be taken by those intimately concerned with the industry, over a much broader base than is the case at present.

The reconsidered attitude of the Jockey Club can only be to the benefit of racing.

and much of the decision-making authority it has had since racing first became organized. The new proposals are broadly similar to those of many other bodies which have given evidence to the Royal Commission, and it is also clear that the commission itself—which should report in the second half of next year—has been thinking along the same lines. Jockey Club opposition would have made implementation of a recommendation for an overall racing authority difficult. The way is now open for such a step to be taken with the full participation and support of the vast majority of racing interests.

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## Han dynasty happenings

From Dr Michael Loewe

Sir, The account of the astronomical observation made in China for the year 5 BC (The Times, December 13) must be read in its appropriate context, which is that of the history of China and the significance that was attributed to strange occurrences by officials of the Han dynasty.

At the time it was believed that there was a unity between the realms of Heaven, Earth and Man, and that the activities of any one of these realms corresponded with those of the others. Disturbances in the heavens or on earth were closely related to human actions, and served to point out the error of man's ways or acted as a warning of impending catastrophe. This belief bore consequences of a dynastic and political kind: reports of strange phenomena could be used to criticise authorities of state for the failure, misdirection or oppression of government.

The *hu*-*hsing*, or nova, which was seen for 70 days from the second

month of 5 BC was linked, perhaps retrospectively and with the benefit of hindsight, with an important and potentially treasonable suggestion put forward in the sixth month. At the time the Emperor lay ill and there was no heir to the imperial throne. Some believed that the Han dynasty had run its course and stood in need of rededication by both symbolic and practical actions, and an edict ordered certain changes to be made with this intention. But unfortunately these measures failed of their purpose; the young emperor's illness continued unabated, and the death penalty faced those who had suggested that dynastic changes were due.

The *hu*-*hsing* was by no means the only portent to appear in 5 BC. At the very moment when senior officials of state were receiving their charge, an unexplained sound of bells ringing was heard in the court. At another time there was a report of the birth of a three-legged colt. In 4 BC seven 80-foot long monsters were cast up on the shores of East China; elsewhere the hewn

timbers of a rotten tree suddenly arose of their own accord; and from another fallen wooden column that sprouted a branch shaped like a human being, strangely coloured and bearing hair.

Sir, the people of Han China lived in strange times and they were quick to note the disturbances of the natural order and to invest them with a political significance. There was indeed a brief solar-logical movement gathering strength in China at the time, and culminating (3 BC) in mass meetings of those who called on the Queen Mother of the West for protection and the gift of immortality. Your readers may be interested to note that there were some who regarded strange emanations in the heavens, seen on March 4-5 BC, as an omen that predicted strange outbreaks of popular feeling.

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Sidgwick Avenue,  
Cambridge,  
December 16.

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John Foord  
CHARTERED SURVEYORSJohn Foord  
PLANT AND  
MACHINERY  
VALUERS

## UK controls on investment overseas to be eased under Brussels agreement

From Michael Hornsby  
Brussels, Dec 20

Britain will be required to ease control on direct, and indirect investment abroad from the beginning of next year under an agreement negotiated with the European Commission. The agreement is expected to be approved by the EEC's 13-man executive at its meeting tomorrow.

Although the precise details of what has been negotiated have not been revealed, it is clear that Britain will not be required to scrap all its existing exchange controls, which should end on January 1, on a strict interpretation of Britain's treaty obligations.

On direct investment, Britain is reported to have agreed to relax the so-called "supercredit" under which an investment abroad must show a benefit to the balance of payments within 18 months.

On indirect investment, Britain is reported to have agreed to relax the so-called "supercredit" under which an investment abroad must show a benefit to the balance of payments within 18 months.

One of the difficulties of the negotiations has been that under the Treaty of Rome exemptions from the rules on free movement of capital are

generally justified only to avoid aggravating balance of payments problems.

The Commission appears largely to have accepted the Government's argument that the apparent picture of payments success presented by the latest capital inflow figures is misleading because of the hot money element which could be matched by outflows of long-term capital if exchange controls were removed.

M. Francois-Xavier Ortoli, the EEC commissioner for finance and economic affairs, is understood to have argued that Britain's present and projected balance of payments surplus needed to be set against the funds needed for repayment of Britain's external debts, estimated at £24,000m (about £12,850m).

His emotional speech was delivered less than an hour after the outgoing president of the organization, Shaikh

From Michael Hornsby  
Brussels, Dec 20

Financial Editor, page 17

## Pound jumps further against dollar

By Caroline Atkinson

Sterling jumped higher yesterday at one point touching \$1.875 against the rising United States dollar, before closing at \$1.8605, up 70 points on the day.

At midday the effective exchange rate of the pound rose to 64.6, a rise of nearly 11 per cent from the end of last week. By the end of the day the dollar had recovered somewhat against all currencies.

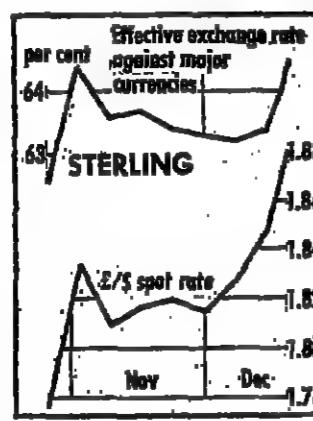
The effective rate index of the pound, measured against a basket of currencies, slipped back a little to 64.5, a rise of 4.8 from Monday.

This week's rise in the value of the pound is only in part a reflection of the dollar's weakness. There was a general commercial demand for sterling, in its own right, in most centres.

Dealers are citing "good industrial and economic news" as a possible reason.

This refers to the acceptance by the local authority managers of a little over 10 per cent, and last week's figures showing an increased current account surplus on the balance of payments, and a further fall in the rate of inflation in November.

As the dollar has fallen in the last few weeks most of the pressure has gone into the Deutsche mark, Swiss francs and Japanese yen, with the pound little affected. This may



now change. Governments of the "hard currencies" countries have been trying to resist the rise in their exchange rates. They fear that the steady appreciation will damage their export industries and lead to further slowdowns.

New measures to control the speculative inflow of funds into Sweden, France, and to a lesser extent, the United States, were announced yesterday. The national bank is offering unlimited three-month swaps to banks at preferential interest rates and intends to increase its own market intervention.

A director of the Swiss National Bank described the situation as "critical", and current parties as "less economic than psychological".

Japan has been intervening on a large scale to hold down the value of the yen, and the Germans last week introduced new controls on inward exchange movements.

The dollar's effective exchange rate depreciation has now widened to -4.72 per cent since Smithsonian. At the beginning of the month it stood at -5.67 per cent.

The United States Government is preserving its position of a benign neglect, although there is reported to be some discussion between the Federal Reserve Board and the White House over the correct exchange rate policy with the pound, which had the effect of providing huge subsidies to Irish beef and Danish bacon producers.

"This grossly unfair legalised dumping has made it impossible for British-based producers, abattoir operators, bacon and ham cutters, and small goods manufacturers to compete against those imported products."

FMC added that, set-up costs on certain abattoirs had also affected the half-time result and that reorganization moves already in train should enable the company to return to profitability by the year-end.

The group's directors have also taken the opportunity to reiterate their strict commercial ones' influence on the conduct of the group's business.

Dealers said the "municipal workers" deal and the strength of the pound were responsible for the interest.

Financial News, page 18

## US tax cuts may be bigger than expected

From Frank Vogl  
Washington, Dec 20

President Carter had a hectic day at the White House today. He signed two Bills that will have important consequences for the American economy and sought to complete with his key economic advisers the details of his tax cut proposals.

The President signed legislation that aims to strengthen the Social Security Trust Fund.

The new law will involve increased revenues of about \$27,000m (about £12,745m) in the next decade, and add to the tax payments of most corporations and all working individuals.

The President also signed a Bill that makes it illegal for American companies to bribe foreign officials to obtain business contracts. Mr Carter stated that this new law "requires publicly held corporations to keep accurate books and records and to establish accounting controls to prevent off-the-book devices which have been used to disguise corporate bribery in the past."

It now appears that the tax cuts that the President will propose, which are largely aimed at offsetting the increased tax burden produced by the new social security legisla-

tion, will be bigger than has been widely expected. Some "leaks" to the United States press by top Administration officials indicate that he may propose total tax cuts of between \$25,000m and \$30,000m.

It seems quite possible that about 20 per cent of the cuts will be in the form of reductions in excise duties, with possibly 50 per cent of the cuts affecting individual income tax rates and with the remainder being specific business tax reductions.

The overall economic effect of the tax cuts is unlikely to be substantial in 1978, partly because of the higher social security taxes and the prospect of increased energy taxes, and partly because the Congress is unlikely to approve the cuts before the summer.

Finance houses also appear to be as large as is now being rumoured. It will make it the hardest for the President to achieve his declared objective of balancing the federal budget by the end of the 1981 fiscal year.

The tax cuts, should they indeed be as large as is now being rumoured, will make it the hardest for the President to achieve his declared objective of balancing the federal budget by the end of the 1981 fiscal year.

Companies which are not part of the primary banking sector are, therefore, likely to be allowed to keep the word "bank" in their name.

Financial Editor, page 17

## How the markets moved

### Rises

Asoc Leisure 21p to 51p

Plaxtons 12p to 12.5p

Burton Grp 5p to 70p

Racial 10p to 20p

Comben Grp 30 to 29p

RFD 51p to 72p

De La Rue 14p to 56p

Shell 15p to 53p

Great Portland 10p to 58.5p

Scholes G 12p to 29.5p

House Guards 6p to 10p

Show Carpets 2p to 23p

Metal Box 16p to 300p

Sunm St Anhby 15p to 50p

Newmarket 13p to 167p

Toby Invest 10p to 33.5p

Gold Inst 50.75 an ounce to

51.50

SDR-f 1.21069 on Tuesday,

while SDR-f was 0.540916.

Sterling gained 70 pts to \$1.8605.

The effective exchange rate index was at 64.5.

### On other pages

Appointments vacant 11

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Business appointments 12

Yorkshire & Lancashire 16

Wall Street 19

Investment Trust 17

Bank Base Rates Table 19

### THE POUND

Bank buys 1.71

Bank sells 1.66

Australia 5 30.88

Austria Sch 65.75

Belgium Fr 61.25

Canada 5 2.10

Denmark Kr 11.30

Finland Mk 15.75

France Fr 2.22

Germany Dm 4.17

Greece Dr 78.00

Italy Lr 165.00

Hongkong \$ 9.00

Japan Yn 475.00

Netherlands Gd 4.49

Norway Kr 10.61

Portugal Esc 7.70

Spain Pes 1.29

Spain Pes 162.25

Sweden Kr 9.15

Switzerland Fr 3.98

U.S 1.83

Yugoslavia Drn 37.75

Gold Inst 50.75 an ounce to

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Commodities: Reuter's index was at 1415.6 (previous 1417.0).

Report, pages 18 and 19

## THE TIMES BUSINESS NEWS

## Opec rises urged to pay debt of Third World

From Roger Vielvoie  
Caracas, Dec 20

The Organisation of Petroleum Exporting Countries was asked today to increase prices by 5 to 8 per cent and to donate the entire proceeds of the rise—between \$7,000m (£3,850m)—and \$11,000m—\$7,000m to pay off the debt of the Third World.

The appeal from Senior Carlos Andres Perez, the Venezuelan President, was made at the official opening of the organization's 22nd ministerial meeting.

It came as ministers from the 13 oil-exporting states appeared to be moving towards agreement on a freeze on oil prices.

Abdul Aziz Khalifa al Thani of Qatar, had said that there were three choices for discussion during the debate over oil prices.

These were a freeze on oil prices, a nominal increase or postponement of a decision for a further six months, which amounts to a freeze while avoiding a word that is offensive to a number of members.

He had made no mention of donating to the debt of the private banking sector.

1977. Ten years ago the proportion of the debt to the private banking sector was only 20 per cent.

Today it is 40 per cent of this \$180,000m, which means that half of this staggering debt comes from very expensive money supplied by the commercial banks.

The President said that the Third World "continues to recognize in Opec the pioneering instrument of its cause".

But Opec could not be substituted as an aid giver for the rich countries whose responsibilities should be linked to the strength of their economies.

Opec had initiated the North-south dialogue in an attempt to help the Third World but this had been unsuccessful.

It had just seen the failure of the Geneva meeting for the creation of the common fund. World inflation had continued its process of eroding the value of raw materials including oil, despite the freeze on prices during 1977.

Pressure had been put on Opec "from the ranks of world economic powers" to freeze prices until the world economy improved.

In the meantime the cost of manufactured and capital goods imported had increased. Between January and September this year Opec had lost \$150m from the decline in the value

of the dollar.

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## Reforms urged in local housing grant terms

By Margaret Stone  
The Building Societies Association is continuing to press for changes in the way local authority improvement grants are made.

In the latest issue of *Building Society Affairs*, published today, an article poses the question of "whether the grant system is working as effectively as it might".

The BSA's argument that improvements are needed in the system is based partly on the drop in the number of homes per annum on which grants have been allocated. From a peak of 238,000 (to private owners) the number has dropped sharply to 73,000 in 1976.

There are genuine reasons for some decline, but the BSA believes that the present system of financial support is "not achieving the right results".

The problems are threefold. The first is that the size of permissible grants required is unlikely to be reflected fully in the increased value of the house after the modernization work has been accomplished. These

adverse economics might themselves be ignored, but the BSA says the system requiring repayment of the grant, plus compound interest if the house is sold within five years, is a major inhibiting factor.

The third difficulty relates to the actual allocation of the grant, and is what the BSA describes as a "chicken and egg" problem. Basically, a building society will only advance money on an older property if it knows it is going to be made good; at the same time a local authority is prepared to offer an improvement grant only when it is assured that a building society loan is forthcoming.

Extensive discussions between the BSA, local authority associations and the Department of the Environment, have partially overcome these problems. The five-year rule can be waived provided the owner changes houses through necessity.

Secondly, local authorities can "promise" that a grant will be forthcoming if a building society loan is acquired.



The Malvern Correlator, an electronics measuring instrument employing laser beams, which is already achieving substantial domestic and export sales, has won the 1977 MacRobert Award for engineering innovation for the team of five which developed it. The five members (from left) are: Mr Stephen Trudgill, managing director of Malvern Instruments and Dr Roy Pike, Mr Robin Jones, Dr Christopher Oliver and Dr Eric Jakeman, all four of them from the Royal Signals and Radar Establishment. The instrument is the result of a combined

effort by the research team from RSRE and Malvern Instruments, an electro optical company. The project was backed by the National Research Development Corporation which helped the then embryo Malvern Instruments to finance the development and manufacture of prototypes. Six international aircraft manufacturers and a wide range of major industrial companies find a number of research centres have already bought the correlator.

The award, made annually by the Council of Engineering Institutions (CEI), was presented yesterday by the Duke of Edinburgh, a former

## US nuclear stake in Italy is reduced

From John Earle  
Rome, Dec 20

Westinghouse Electric Corporation of the United States, which has a 51 per cent stake in the PWR, has drastically scaled down its involvement in the Italian nuclear power market.

After long negotiations with its partners, Breda Termomeccanica (of the state-owned IRI group) and Fiat Termomeccanica-Nucleare, agreement has been reached for it to reduce from a controlling 51 per cent to 15 per cent its holding in Sopran, a company responsible for designing nuclear plant according to its PWR technology. Fiat and Breda will share equally the controlling 85 per cent.

In Cosenza, a company responsible for providing fuel for the existing PWR to Agip Nucleare of the state-owned ENI group, Agip Nucleare also intends to acquire a further 20.5 per cent from Breda, which will be left with 4 per cent. Fiat's existing 24.5 per cent holding will remain unchanged.

Under the new arrangements Westinghouse will continue to make available to its Italian partners its knowhow in pressurized water reactors. Direct involvement in the Italian nuclear market has become less attractive to foreign companies as a result of the inability of successive governments to draw up and enforce a clear nuclear power programme.

## Brussels will press for safeguards to investors in Third World mine projects

By Desmond Quigley

The European Commission is understood to have agreed in principle to press for the inclusion of mining ventures in the second Lomé Convention next summer.

If the Commission is successful in having mining ventures brought within the new convention, it would go some way to satisfying the desire of the European mining companies for some security of investment in less developed countries.

Incorporation of mining ventures in a new convention would mean that EEC countries and their companies would be prepared to put capital and expertise into mining projects under some sort of treaty

agreement with the host country, which would grant fair and equitable treatment to mining companies.

Thus, if the host country were to expropriate a mine or unilaterally and radically alter the terms of agreement such as increasing the taxation level or placing a larger upper limit on the percentage of foreign stake in the venture, negotiations would immediately take place between the European country concerned and the host government.

The problem of government interference has been compounded by the weakness of most base metal prices over recent years and soaring capital costs which have made investment in mining ventures in under developed countries a less interesting proposition.

Mining companies have be-

come increasingly concerned at the propensity of governments to alter the terms of mining agreements once a mine has been brought into production.

Mining faces a particular hazard in that the lead time for bringing a mine to production is upwards of five years. This long lead time, with the heavy capital expenditure involved, makes mining companies very vulnerable to any late changes in mining agreements.

The problem of government interference has been compounded by the weakness of most base metal prices over recent years and soaring capital costs which have made investment in mining ventures in under developed countries a less interesting proposition.

## Easing of scrap exports to stay

Arrangements for exports of ferrous scrap to countries outside the EEC are to remain unchanged for a further period.

Interim arrangements first introduced on October 3 are to continue pending the conclusion of discussions on the licensing of exports to third countries.

The effect of the arrangement is to liberalize export controls on United Kingdom scrap processing companies. Faced with a steep cut in deliveries to the British Steel Corporation in the first three months of next year because of weak demand, the industry is expected to pursue export opportunities even more vigorously.

## Engineering inquiry team begins study on reforms

By Derek Harris

Professional engineers' organizations were warned yesterday that the government inquiry into the organization of the profession "cannot just come up with a consensus view".

The committee of inquiry, 17-strong in addition to its chairman, Sir Monty Flitton, former chairman of British Steel, will draw up recommendations on a wide range of issues.

Everybody does not like them, Sir Moody said.

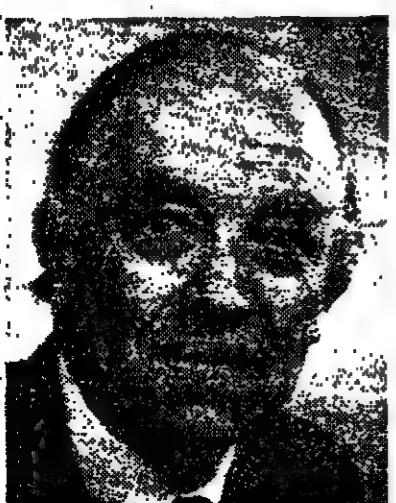
He gave these warnings after the first meeting of the com-

mittee yesterday, at which Mr Varley, Secretary of State for Industry, who set up the inquiry, said it was widely accepted that radical change was needed in the way professional engineers were attracted into the profession, educated and trained.

Major issues for the committee, which hopes to produce its report by early 1978, are whether there should be statutory registration and licensing for professional engineers and whether there is a need for re-

shaping of qualification and education standards.

# The Woolwich



## Sir Oliver Chesterton speaks of

### "striking a fair balance between investors and borrowers."

It was an exceptional year of starkly contrasting conditions.

The Society's ability to cope with the sudden changes in money market conditions derives from its level of liquid assets, which at the year end totalled £327m or over 18% of total assets.

We have had an excellent year and look forward to similar results in the current year.

The past year has shown how quickly the market can turn in building societies' favour, and how quickly it can turn against it. Commenting on the future of building societies, Sir Oliver referred to the Government's Housing Policy Review and its recognition that home ownership would not be so widely spread in this country without the financial mechanisms which building societies have provided. "The philosophy within the Review," he said, "is not at variance with our own and the Woolwich will continue to do its best to help as many people as possible to become owner-occupiers."

Our investors entrusted to us the considerable sum of £659m and their balances increased by a record £263m.

Net receipts from investors and capital repayments on existing mortgages enabled the Society to lend on mortgage the highest ever sum of £351m. At the year end, 30th September 1977, the Society's total assets at £1,772m were 19% greater than at the beginning of the year.

The General Reserve at the year end stood at over £58m.

Given the way in which economic conditions can change so rapidly, Sir Oliver went on to say "this Reserve is a very reassuring item and materially contributes to the public's confidence in the Woolwich Society."

Copies of the Annual Accounts of the Society and the full text of Sir Oliver Chesterton's address, are available from the Secretary at the Society's Head Office.

**W**  
**WOOLWICH**  
EQUITABLE BUILDING SOCIETY  
London SE15 6AS

## LETTERS TO THE EDITOR

## Why it is necessary to take a fresh look at state steel policies

From Mr H. B. Lloyd  
Sir, From the BSC's annual accounts it appears that the corporation's prodigal capital expenditure policy is costing almost £300m per annum to finance, and even this figure is after various subsidies. Nevertheless, this policy is to continue. The expenditure of £336m at Port Talbot will provide an additional capacity of three million tonnes per year which at the corporation's high prices has a sales value of less than £600m per year.

What merchant bank would finance such a project? Can Sir Charles Villiers from his banking experience instance a single example of a profitable project where the value of the annual turnover is less than 75 per cent of the capital required?

The notion that such expenditure results in reductions in manning may be contrasted with the manpower required to complete the project. Such an expenditure will need about 200,000 man years for its execution: if the plant lasts 20 years this averages 10,000 men per annum. The Welsh division of the British Steel Corporation, of which Port Talbot is a part, employs 56,000 men.

Nearly all the financing costs that the corporation has to carry arise from its major development schemes and these show no signs of producing an adequate return nor indeed are they likely to do so. Any very large project is invariably founded on well proven techniques and these may or may not be the best available. The Anchor project is the last nail of its type that will ever be built and indeed is the only one to be built anywhere in the world during the last decade. The gigantic blast furnace to be built at Port Talbot may

well come into this category. The United States, which produces more steel than any other country in the world, has not found it appropriate to build any of these gigantic furnaces. While Japan, which has reports in the technical press that production costs are higher than those of large furnaces, is well known to be the "economics of scale".

The private sector's investment policies have been in enabling it to maintain its workforce almost intact, despite the difficult times through which steel has been passing. I am one who believes that the skills and abilities of those who work in an industry are its greatest asset. Yours faithfully,

H. B. LLOYD,  
Little Slaughterford,  
Farnham,  
Surrey.

December 13.

General  
Steel  
division  
Sinter  
mill  
division  
Special  
steels  
division  
Tubes  
division

Liquid steel production,  
million tonnes per annum  
Employees

Profit after depreciation  
and interest £m

Production, tonnes per

Profit per tonne £

Figures from BSC Annual Report 1974/5. Current figures are not available as the Corporation is now organized on a regional basis.

## Extending the range of craftsmen in wood

From Mr J. Makepeace

Sir, It is good to see a Worshipful Company publicly declaring its concern for training in the crafts. I refer to the letter from the Worshipful Company of Turners published on November 23rd.

At one time the crafts were practised by exclusive groups of craftsmen, each jealously protecting his own area of mystery (mastery). Today we expect craftsmen to have a broader range of knowledge and skills, as part of the survival kit. The principle of turnover applies in this concern and has taken the initiative in the setting up of facilities to train professional wood craftsmen.

In order to help the self-employed craftsman earn a living, he needs to be competent not only as a turner, but as a designer and business manager as well.

Many of the intelligent individuals now choosing a career in the crafts are capable of developing a number of traditionally separate skills, and so integrate them into their work.

Yours sincerely,

JON MAKEPEACE,  
Director of the School for  
Craftsmen in Wood,  
The Pardham Trust Limited,  
Pardham House,  
Beaminster,  
Dorset.

December 18.

P.S. So far as the training of future operators for the industry is concerned it would appear to justify a further extension of the training of apprentices.

Yours faithfully,  
H. DASHER,  
Chairman,  
High Duty Valves Ltd,  
75 Belize Lane,  
London, NW3.

## Still battling for sensible/rational ideas in engineering

From Mr H. Masheder

In his letter (December 15), Dr Llewellyn-Smith reveals of the famous engine designer that Sir Henry Royce lacked qualifications? Is Shakespeare unqualified as a writer and dramatist because he has no BA in English literature or Leonardo as unqualified sculptor because he has no degree in art from Florence? Surely, those who can, do. So it is with engineering.

It is man demonstrably qualified as Sir Henry Royce who can be dismissed as patronis-

ingly as unqualified, no wonder then that British engineering performance has declined so abysmally. As the correspondence in these columns has recently shown, the battle waged by the late Hugh Clausen and others for a return to sensible and rational ideas has a long way yet to go.

Yours faithfully,

H. DASHER,  
Chairman,  
High Duty Valves Ltd,  
75 Belize Lane,  
London, NW3.

## Unilever coordinator Mr Durham made a vice-chairman

From Mr H. Masheder

In his letter (December 15), Dr Llewellyn-Smith reveals of the famous engine designer that Sir Henry Royce always referred to himself as a "mechanic". He went on to observe "He (Sir Henry Royce) claimed that this was a more honourable title than 'engineer' but of course in view of his lack of qualifications, it might have been a matter of sour grapes".

I leave aside that unworthy insult, by what sad stretch of the academic imagination can it be charged that Sir Henry Royce lacked qualifications? Is Shakespeare unqualified as a writer and dramatist because he has no BA in English literature or Leonardo as unqualified sculptor because he has no degree in art from Florence? Surely, those who can, do. So it is with engineering.

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As a result of the acquisition of Stobart Brothers the sheet and film division of British Industrial Plastics will be merged with Stobart from January 1. Mr D. W. P. Ross, managing director of Stobart, will become chairman and chief executive of the new group.

Mr John McQuiggan joins the United Kingdom South Africa group as managing director designate on January 3 and will take up his appointment as director in April. He succeeds Air Commodore F. J. Rump, who is retiring. John McQuiggan joined the group in 1972 and has been managing director of Stobart since April 1974.

Mr P. N. Stockton, a director of the group, has been appointed managing director of the new group. Mr P. N. Stockton, a director of the group, has been appointed managing director of the new group.

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BY THE FINANCIAL EDITOR

## Exchange controls in the melting pot

Today or tomorrow there should be news as to how far the Government is prepared to go along with our EEC obligations and liberalize exchange controls. Given the plight of our balance of payments over the past few years, we have so far done precious little to liberalize outward capital movements into Europe. Even the concessions made on direct investment in 1972 had to be withdrawn again in 1974.

The assumption at this stage is that the main areas of discussion have been the "super-criterion" controls over direct investment and the 25 per cent surrender rule on portfolio investment. When the "super-criterion" was relaxed in 1972 the outflows were appreciably greater than expected, in the first flush of "Europeanism" and on hopes that the British property boom could be repeated on the continent. Neither of these factors are thought likely to be quite so visibly present if there were a relaxation in 1978.

As for portfolio investment, the very most one might expect would be removal of the 25 per cent surrender rule for investment in EEC securities—at least on the face of it. But no doubt the exchange control authorities have been highly reluctant to go along with such a two-tier system on policing grounds—eg how do you effectively control investment into international feeder funds operating, say, out of Luxembourg? If that is really a non-started, the decision has presumably to be all nothing, or a promise of all at a none too distant future date.

## Distillers

### Getting near to real worth

Since Glenlivet agreed bid terms with Seagram last week, the shares of the other small distillers have been leaping ahead. After another strong day yesterday they are mostly 10 per cent or more up on last week's levels as speculative hopes, never far from the surface in this sector, have risen. But in view of the generous terms on which Seagram is buying Glenlivet—510p a share compared to an initial offer of 440p—it is a moot point whether it is any longer realistic to anticipate more bids for whisky producers unless, like Teacher last year, internal finances come under strain.

On an historic basis, Glenlivet is being outpaced at 25 times earnings, and the price is more than three times the published asset value of 160p a share. Admittedly Glenlivet's name is second to none in the whisky industry. It is particularly strong in single malts, a sector of the whisky industry that is growing at around 25 per cent a year compared to more like 4 or 5 per cent for blends, so taking a long-term view its prospective earnings might justify a generous price now. But even allowing for these special factors the message of the bid is that an unwanted predator will have to pay up to get control of any of the eight remaining quoted distillery companies. The question, in the light of the Glenlivet bid, is just how whisky companies should be valued.

Much depends on the company and its particular range. Just as Glenlivet arguably deserves a premium for its top-of-the-market reputation, Arthur Bell, a perennial bid candidate, might deserve a similar premium for the strength of its name in the blend market. In both cases this might imply a significant goodwill element, although some observers doubt that there is much goodwill in the Seagram bid for Glenlivet. Others, however, think goodwill could add up to as much as £1 a share.

But the starting point for a realistic bid valuation is clearly the replacement cost of assets and this bears little relationship to published balance sheet values. The real worth of maturing whisky stocks is in most cases likely to be around 1½ to 2 times book value—nearer two times in the case of those companies which are more dependent on older malts than younger blends. Estimates of the replacement value of distillery capacity vary. It is worth noting that the quality of output of a new distillery will be unknown for at least five years, but a rough rule of thumb is perhaps £3 a gallon of whisky. For perspective, Bell produced 2.2 million proof gallons of whisky in the first six months of this year.

The sums are difficult to do accurately, but adopting this basis Highland Distilleries could be worth a half or two thirds above its present share price, while Macallan, Glenlivet, Invergordon and Tomatin could all be worth close to twice their present market values. Bell's share price may not be far out of line with its real asset value, but a bidder would clearly have to pay more

than the present capitalization of £73m. The question remaining for those who see the whisky industry as ripe for further bids is who is going to pay such lofty prices.

## Lomrho

### A changing picture

Lomrho's preliminary figures are bound to cause some confusion. Pre-tax profits are already collapsed in the final quarter leaving full year profits at £82m, and lower than in 1975-76. But the point is the tax charge, which is sharply reduced, leaving earnings marginally ahead at 26.2p a share before dilution.

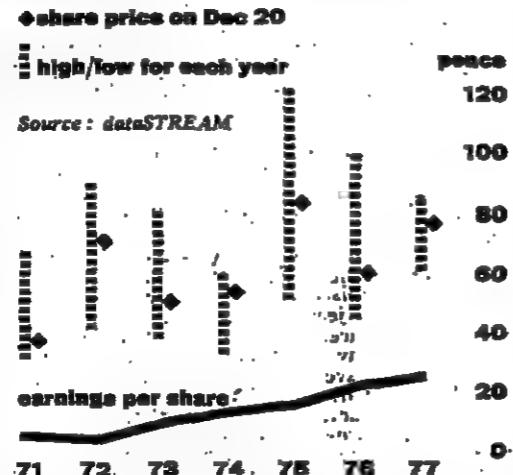
Above the tax line Lomrho reckons that the sterling appreciation has cost it £10m to £15m compared with the previous year, while sugar has suffered from the severe price downturn as have the platinum and copper interests.

The tax charge has dropped by £7m, Lomrho taking advantage of stock relief provisions and changes in the treatment of deferred taxation treatment.

Increased interest charges, meanwhile, reflect the group's heavy United Kingdom acquisition policy, which has cost Lomrho some £65m in the past year excluding the 20 per cent stake in the House of Fraser at £412m which became effective after the end of the financial year.

Lomrho's aim is to have one third of its assets in the United Kingdom even though some of its acquisitions are proving hard going. Dunford & Elliott has so far failed to live up to its forecast at the time of the bid battle of about £5m pre-tax. The shortfall is apparently some £3.5m, the steel company having only just about broken even in the second half.

## LONRHO



Lomrho's final dividend has yet to be declared but on the basis of the rights issue forecast the shares are yielding 12.7 per cent at 77p, up 1p yesterday. That speaks for itself, at least until the accounts come, and they hopefully will be more illuminating, given the radical changes which the group has pushed through during the past 12 months.

On the basis of interest rate and instalment credit volume trends, the Lloyd's and Scottish one-fifth rise in pre-tax profits to £17.4m before extraordinary looks, like Lombard North Central results a fortnight ago, a little on the low side. But Lombard is still working the bad debts incurred in 1973-74 out of its system while L and S never got mixed up there so the recovery is probably less than 45 per cent.

All the same there has been a quickening of the pace in the second half but most of the increase has come from leasing—accounting for the bulk of the one-third rise in associates to £4.4m—and the industrial and commercial interests whose contribution to profits is up to 45 per cent.

Despite a 46 per cent jump in turnover, with L and S apparently gaining market share, the key to a fairly uninspiring performance from instalment credit lies in the longer maturity of its deposits and the fact that around two-fifths of industrial lending is on a variable rate, which means that lower interest rates take time to work through.

The real issue now, however, is what sort of future a finance house can look forward to outside a clearing bank. The Bank of England is committed to part of the sector staying independent. But L and S is already having to turn away leasing business because it lacks the tax capacity to take on more business while borrowing, up to £32m or 5.6 times shareholders' funds, are rising steeply.

## Business Diary: BL's Horrocks • Morgan and BR

It is still less than two months since Michael Edwards left Chloride to become British Leyland's new full-time chairman and already he has head-hunted a top executive for his team. He is Ray Horrocks, 47, former head of Eaton's materials handling operations in Europe and the Middle East.

Before he joined the American-owned axles to forklift truck group Horrocks was with Ford UK for 10 years. At one time he ran Ford's advanced vehicles plant, which produced the Mexico competition model.

Soon after he moved to Eaton the worldwide materials handling market ran into its biggest ever recession. Colleagues at Eaton's Roundhouse headquarters joked that he arrived in time to wind it up.

But such was the energy he displayed in reorganizing the sorry mess that within two years he was attracting the attention of his chiefs in far-away Cleveland and those same colleagues were forecasting a dazzling career. His reputation reached outside Eaton and he received frequent approaches to do a same sort of "turn-around" job for other companies.

But a mystery surrounds his new post at British Leyland. Inquiries at the group's London headquarters elicit only that he is directly answerable to Edwards and "clearly destined

for a senior appointment to be split out at a later stage".

This evasiveness leads to speculation within the company that Horrocks could be the first of two executive vice-chairmen. Edwards is known to be recruiting from outside to form a second tier triumvirate with David Andrews, the new chairman of British Rail, and particularly Alex Park as an executive vice-chairman.

Whatever the truth of that, Horrocks's importance in Edwards's plans has already been underlined by his appointment to the seven-strong team of senior executives, now investigating Leyland Cars with a view to recommending changes in its organization.

"There has to be a desk somewhere where the buck stops," says John Morgan, who, as announced yesterday, will be the first incumbent of the newly created post of "general manager, pension fund" for British Rail and takes up his new appointment early next year.

As a modest art collector himself, he is open-minded about British Rail's foray into the world of art. The pension fund now owns about £11m worth of paintings.

The role of non-income bearing assets in a pension fund has always been open to question.

As Morgan says, "the case has to be made."

Whatever his ultimate verdict about the suitability of this form of investment, he is at least reasonably confident that his own small collection of modern British painters—an Ivon Hitchens, Roger Hilton and Peter Lanyon among others—will not represent a conflict of interest.

John Methven, the director-general, and Lord Watkinson, the retiring president, of the Confederation of British Industries, are, I hear, so pleased with last month's first annual conference that they are recommending more of the same.

Not only are they saying there should be a second conference next year—as Business Diary recently said they would—but their view is that it should again be in Brighton. This time, however, it will probably have to be at the Dome, rather than at the new Conference Centre.

John Methven's conference will not be available in early November.

Last month's conference drew about 1,300 delegates—next year's is likely to attract at least 2,000. This means that the choice was between Brighton, the Wembley Conference Centre in London and Blackpool.

Blackpool proved to be a little far north for CBI tastes and Wembley a little too near head offices for many delegates to drop out for a couple of days.

The conference will again be a two and a half day affair and will again be built around a

policy document. Next time, however, the CBI managers will eschew discussion of vague general motions in favour of a livelier debate of detailed and contentious points, giving CBI dissenters more of a chance.

Incidentally, coverage of last month's conference in the newspapers and on radio and television is being followed by a surge in CBI membership. This in turn is likely to add fresh fuel to an old CBI controversy—whether to stay in the present headquarters in Tidworth Street, Westminster, or to acquire purpose-built premises, as for instance on a Crown Estates site in nearby Pimlico.

David Abel, managing director of Leyland Special Products (that is the profitable, non-automotive subsidiary of the state-owned motor group) is pushing his products with a Christmas card devoted to "A Special Christmas Carol".

Recipients are instructed sing it "in a lively voice to traditional music": "On the 12th day of Christmas, Special Products sold to me 12 dump trucks dumping 11 compressors freezing 10 lift-trucks lifting nine tanks all firing eight gears a changing, seven presses printing, six tractors crawling, five quarry plants, four road rollers, three heat exchangers, two seed drills, altogether in one big family tree."

Photograph: John Manning

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Photograph: John Manning

policy document. Next time, however, the CBI managers will eschew discussion of vague general motions in favour of a livelier debate of detailed and contentious points, giving CBI dissenters more of a chance.

Incidentally, coverage of last month's conference in the newspapers and on radio and television is being followed by a surge in CBI membership. This in turn is likely to add fresh fuel to an old CBI controversy—whether to stay in the present

headquarters in

Tidworth

Street, Westminster, or to acquire purpose-built premises, as for instance on a Crown Estates site in nearby Pimlico.

Photograph: John Manning

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## FINANCIAL NEWS AND MARKET REPORTS

## Barratt Developments makes £3m bid for James Harrison

By Alison Mitchell

Barratt Developments has made an agreed £3.1m bid for Edinburgh house builder James Harrison Holdings.

The Newcastle-based group is offering six ordinary shares for every 11 Harrison, valuing the Harrison shares at 60p against a market price of 54p, up 4p on the news. There is also a cash alternative of 53p, available for the first 21 days of the offer.

The directors of Harrison are advising shareholders to accept the offer and have already agreed to the terms for 77.2 per cent of the equity. Honorary president Mr James Harrison, who now lives in the Isle of Man, has a 77.4 per cent stake in the group.

Mr John Cassidy, deputy chairman of Barratt, describes the deal as a logical expansion

of the group's activities in Scotland.

The takeover of Harrison will increase the Barratt land bank, extend existing contracting work, already strong in the North of Scotland, into Fife, Kirk and Aberdeen. Over the past couple of years it has been expanding its contracting side in Aberdeen and current orders are at record levels.

The group is now hoping to expand the Harrison contracting work into a similarly thriving arm in the central belt.

In the six months to June 30 last, Harrison made a pre-tax profit of £536,000 against a previous £379,000 in turnover which slipped from £2.6m to £2.2m. At December 31 last the net tangible assets of Harrison, including the revaluation of fixed assets, amounted to around £3.25m.

£661,000 and Mr Cassidy agrees that the current rating is "not materially different".

Already strong in Scotland, Barratt operates two house building subsidiaries in Fife, Kirk and Aberdeen. Over the past couple of years it has been expanding its contracting side in Aberdeen and current orders are at record levels.

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Montague L. Meyer's £15m loan

By Michael Prest

Montague L. Meyer, the timber distribution group, has raised a £15m, seven-year loan to refinance on more favourable terms some of its previous bank borrowings. The loan was arranged and syndicated by NatWest.

At the end of the last financial year in March 1977 Meyer had short-term bank borrowings of £30.7m, up from £12.4m the year before. Mr C. A. P. Mallon, the company's finance director, said that he was "very satisfied with the rates" on the loan and that it would lengthen some of the existing debt.

Total borrowings in March last were £43m, while shareholders' funds were £65m. Three years ago Meyer raised a £10m loan, of which £1.5m was recently repaid and another £500,000 is due for repayment next month. Mr Mallon said that Meyer had been considering the latest move for about three months.

Meyer's profits for the year to mid-March 1977 were £14.3m, on a turnover of £222m. Interim figures up to end-September show profits of £7.47m, slightly down on the same period last year.

## Outcome of Brussels talks vital for FMC

By Richard Allen

FMC's interim pre-tax loss of £427,000 is a good deal less than some pessimistic forecasts. And with the group predicting a return to profitability by the end of the year, the shares improved 1p yesterday to 73p.

This is still a long way short of the 115p or so achieved at the time of the abortive Borthwick takeover attempt last March, and the stock market has come up a good deal since then. So the few remaining outside shareholders, now that the NUFU has 73 per cent of the equity, can rightly rue a missed opportunity for divestment.

Despite efficiency improvements and some recovery in by-products' markets, FMC's performance next year rests solidly on what sort of deal British

negotiators are able to wrest from the Brussels Commission on the thorny issues of the green pound and MCA subsidies.

On this score the owners are not good. Meanwhile FMC's statement yesterday about "commercial considerations" is hardly a convincing argument of the November blackout that inspired many companies to order stand-by generators. Petbow's marketing effort is now concentrating on persuading companies in the developed countries of the necessity of emergency generators.

Export prospects have been pressured by the rise in the pound, a factor that has been re-emphasized in recent days. But Mr Bird says the company is striving to keep costs down and to stay competitive. Wage settlements in the group have been within the prevailing Government guidelines.

Overall Mr Bird expects second-half performance to outstrip the £1.5m made in the second-half last year. The second-half dividend is 4.54p gross and the total dividends for the year are expected to be 13.03p, the maximum permitted.

## Petbow now gets fillip from home sector

By Bryan Appleyard  
Petbow Holdings, maker of welding and generating sets, is still being powered along by its overseas sales in spite of pressure on export margins. In the six months to September 30 turnover rose by 28 per cent from £7.8m to £10m and pre-tax profits by 12 per cent from £1.3m to £1.44m. Export sales rose by 40 per cent from £2.1m to £8.5m.

Petbow is still benefiting from the cash flowing into the OPEC countries ever since the major rise in oil prices. Companies like Nigeria, Saudi Arabia and Iraq have all turned to the company for the small generators in the absence of a sophisticated grid system.

However, Mr James Bird, chairman, now believes the proportion of total sales taken by exports has reached a peak because of signs of a pickup in the United Kingdom market.

This has been largely because of the November blackout that inspired many companies to order stand-by generators. Petbow's marketing effort is now concentrating on persuading companies in the developed countries of the necessity of emergency generators.

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## Stock markets

## Strong demand in first two hours

With sterling continuing to perform strongly and the municipal workers' pay settlement seen as a significant victory for restraint investors made a brief but significant return to the equity market.

Though most of the business was transacted in the first couple of hours it was good enough in a market short of stock to put the FT Index 9.4 ahead by midday, 4p to 128p again featuring Edinburgh housebuilder James Harrison closed 4p to the good at 54p after touching 58p on terms.

Dealers commented that for a brief spell demand was very good but that in the present state of the market any sort of buying activity was bound to have a disproportionate effect. Fund managers, it seems, are still not interested in any sustained commitment in equities, a fact well illustrated

to 203p, after touching 200p on the news of a stake changing hands.

Demand in a thin market lifted an old speculative favourite, Newarthill, 15p to 16p and Joseph Steels rose 10p to 150p after a mention here. Distillers continued to move ahead on industry rationalization hopes, with Arthur Bell 4p to 220p and Highland 4p to 128p again featuring Edinburgh housebuilder James Harrison closed 4p to the good at 54p after touching 58p on terms.

A "bear" squeeze lifted Thorn 16p to 372p while there were also double-figure gains from other big names like Metal Box 14p to 300p, Glaxo 10p to 356p and Tube Investments 10p to 356p. Others well supported included GKN 6p to 273p and Beecham 5p to 57p. In the building sector A. Monk rose 5p to 79p after its profit statement. Marley continued to benefit from last week's figures, rising another 3p to 84p.

The clearing banks were in good form with 10p gains from Barclays at 333p, Lloyds 283p, Midland 383p and National 383p.

Smiths Industries went with the market to finish 6p firmer at 159p.

Foods saw strong performances from Rowntree Mackintosh up 9p to 414p, Associated Dairies 8p to 246p, Sainsbury 5p to 195p and, after a profit recovery forecast, FMC, which ended 1p better at 73p.

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Westminster at 283p. After figures Lloyds &amp; Scottish ended 2p better at 109p.

Equity turnover on December 19 was £46.23m (9,313 bargains).

Oil dealers are puzzled over the destination of the 1.2m ordinary shares in Lasko which National Carbosilane sold through the market early last month. Normal institutional sources are reported not to have seen the shares, lending weight to the theory that they were taken by one buyer. The company was not able to confirm or deny this last night. The shares traded at 50p.

Active stocks yesterday, according to Exchange Telegraph, were Shell, BAT, DfD, GEC, GUS "A", Reed International, Thorn, BP, Glaxo, A. Bell, BSR, M. Tussauds and Caravans International.

## Bank Base Rates

## Change Wares in £1m deal

Change Wares, the wire-mesh and wire-based products group, expects a turnaround of £1.02m into a pre-tax profit of not less than £450,000 for the 17 months to December 31, 1978. Total dividends of not less than 60p per share are forecast.

This will include a contribution of not less than £200,000 from H. Stockwell, a private family-controlled steel stockholding company based at Royton, Lancashire, which it is buying for some £1.02m.

This will be satisfied on completion by £525,000 in cash and the issue of 3.3m new ordinary shares which for the purpose of the acquisition have been valued at 1.5p each.

Stockwell's consolidated net assets at March 31 stood at £1.28m and the average net profit before tax during the past five years were £177,000.

## Recovery continues at Burco Dean

By Our Financial Staff  
After a year in which pre-tax profits recovered from £523,000 to £1.1m and turnover jumped from £17.8m to £24.3m, Lord Hewlett, the chairman of Burco Dean says that the improvement continues despite the fact that recent Government moves to boost the economy have had little effect, the board expects short-term growth to be maintained.

The fall in income is likely to continue, particularly in the

## Slimmed-down sales knocks Polly Peck into the red

By Our Financial Staff  
Evident in the main London stores in which PP produces are sold. But, with 70 per cent of sales coming outside London, this improvement could be reflected in second-half figures.

Earlier this year the group cut back on premises and labour in an attempt to contain costs and Mr Zelke is hopeful that PP will be trading profitably by the year end. Reasonable orders for the spring and summer have been obtained.

A new financial arrangement has been made to enable the group to hire off its premises side completely and provide sufficient working capital for the fashion division.

National Westminster, the group's bankers, have agreed

to accept an undisclosed sum to pay off the liabilities of the fashion side and this increases the net assets of the division by around £150,000 to a total of £500,000.

Another bank has offered the group a facility to finance the fashion division's working capital and this will be secured by fixed and floating charges over the assets.

These arrangements cancel the direct indebtedness of the fashion division to NatWest.

A new financial arrangement has been made to enable the group to hire off its premises side completely and provide sufficient working capital for the fashion division.

The shares were unchanged at 74p yesterday.

## Business better than expected at Woolwich

Sir Oliver Chesterton, chairman of Britain's fifth largest building society, the Woolwich, told the annual meeting in London that the level of business was running ahead of expectations, despite the fact that recent Government moves to boost the economy have had little effect, the board expects short-term growth to be maintained.

And the problem area this time has been the fashion side.

The fall in income is likely to continue, particularly in the

fashion side, and the picture for the last few years has been

rising at a much lesser pace

than the cost of living index."

The board of International Combustion is still strongly recommending shareholders to accept the bid from Northern Engineering of seven NE shares and £3.55 cash or 11.75 NE shares for every ten ICH.

All the directors of ICH have now agreed to accept the bid.

Four directors of NEI are to be invited to join the ICH board. They are: Sir James Woodeson, Mr R. Baker, Mr G. T. Goughrie and Mr D. McDonald.

Following the extraordinary meeting on January 3, Mr A. Meeson, Mr J. A. C. Talbot and Mr Montague Pinstone will be retiring from the ICH board.

Elsewhere, Mr Meeson and Mr Talbot will receive golden handshakes for loss of office.

Sales to Woolwich

In a move following an offer from A. C. Clark, chairman of Woolwich, of 90p cash a share, Stalifast is offering either 92½p cash or one of its shares or an amount of loan stock for each Woolwich share.

The offer is entirely in cash.





## EDUCATIONAL

**THE WELLCOME TRUST**  
1 Park Square West, London NW1 4UJ  
Telephone: 01-486 4902

**COMPETITIVE AWARDS  
FOR RESEARCH INTO  
MENTAL DISORDERS**

The Trust invites to submit two major competitive awards, totalling £100,000 each, over up to five years in the field of mental disorders for research in appropriate departments in the United Kingdom.

1. An award for research into conditions resulting in loss of intellect, memory, personality and social behaviour. Preference will be given to collaborative interdisciplinary studies which involve cooperation between groups with experience in departments of psychiatry and the relevant basic science departments.

2. An award for the development of studies in clinical neuro-endocrinology in patients with mental illness. Special consideration will be given to those which aim:

(a) to probe brain function in the mentally ill by study of hypothalamic-pituitary relationships at the clinical level;

(b) to define clinical neuroendocrine changes produced by drug treatment of mental illness to see whether such changes can be used as objective tests of pharmacodynamic effects of drugs.

While the Trust is particularly interested in Schizophrenia, studies proposed on any aspect of the inter-relationships of neuroendocrine control and mental illness at the clinical level will be considered. Such work should be multidisciplinary and involve the relevant basic science groups with experience in neuroendocrinology, clinical psychopharmacology and psychiatry preferably with appropriate methodology already available to undertake such studies.

In the first instance, those interested applying should send a two-page summary only of their proposals, including a brief costing of the way the grant would be used.

Following consideration of these summaries selected candidates will be invited to submit detailed proposals.

Summaries should be sent to the Grants Section of the Wellcome Trust, 1 Park Square West, London NW1 4UJ, C. 17th Dec. 1978. Any application received after this date will not be considered.

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